

Message Text

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51

ACTION EUR-25

INFO OCT-01 ARA-11 IO-12 ADP-00 GAC-01 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-02 INR-10

INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12 PRS-01

OMB-01 RSR-01 /190 W

----- 001465

R 221729 Z MAY 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5256

INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY SAO PAULO

USMISSION GENEVA

USMISSION OECD PARIS UNN

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 2841

PASS AGRICULTURE

E. O. 11652: NA

TAGS: ETRD, EEC, BR

SUBJ: EC NEGOTIATIONS WITH BRAZIL

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REF: EC BRUSSELS 1276 (APRIL 12, 1972)

1. SUMMARY. THE EUROPEAN COMMISSION AND BRAZIL HAVE COMPLETED THE FIRST PHASE OF NEGOTIATIONS LOOKING TOWARD A NON- PREFERENTIAL TRADE AGREEMENT SIMILAR TO THE EC' S AGREEMENTS WITH ARGENTIAN AND URUGUAY. BRAZIL HAD PLACED SPECIAL EMPHASIS ON THE NEED FOR A MODIFICATION IN COMMUNITY TREATMENT OF BRAZILIAN EXPORTS OF COCOA BUTTER AND INSTANT COFFEE. THE COMMISSION HAS NOT YET BEEN AUTHORIZED TO MAKE SPECIFIC CONCESSIONS ON THESE PRODUCTS ALTHOUGH IT HAS OFFERED TO EXTEND TO BRAZIL CONCESSIONS ON BEEF AND VEAL SIMILAR TO THOSE GIVEN URUGUAY AND ARGENTINA. THE NEXT PHASE OF NEGOTIATIONS MAY BEGIN IN JULY ON THE BASIS OF FRESH INSTRUCTIONS FROM THE EC COUNCIL. WE HAVE REMINDED BOTH THE COMMISSION AND THE BRAZILIAN MISSION OF US OBJECTIONS TO CERTAIN ASPECTS OF THE LEVY SUSPENSION ARRANGEMENTS WHICH HAVE BEEN INCORPORATED IN THE ARGENTINE AND URUGUAY AGREEMENTS AND ARE LIKELY TO BE INCLUDED IN THE AGREEMENT NOW BEING NEGOTIATED WITH BRAZIL. END SUMMARY.

2. EC COMMISSION AND BRAZILIAN NEGOTIATORS HAVE NOW COMPLETED THE FIRST PHASE OF THEIR NEGOTIATION OF A NON- PREFERENTIAL TRADE AGREEMENT SIMILAR TO THE AGREEMENTS ALREADY SIGNED BY THE COMMUNITY WITH ARGENTIAN AND URUGUAY. THE INITIAL NEGOTIATING SESSIONS-- PURSUANT TO AN EC COUNCIL MANDATE APPROVED IN MARCH -- HAVE PRIMARILY PROVIDED AN OPPORTUNITY FOR BOTH SIDES TO CLARIFY THEIR OWN POSITIONS AND PROBE THAT OF THEIR OPPONENTS. THE COMMISSION IS OPERATING UNDER RATHER NARROW NEGOTIATING INSTRUCTIONS. THE COUNCIL MANDATE, PREPARED WHILE GATT ARTICLE XXIV:6 NEGOTIATIONS ARE UNDERWAY AND WITH THE MTN ON THE HORIZON, HAS NOT AT THIS STAGE AUTHORIZED ANY CONCESSIONS THAT GO BEYOND THOSE ALREADY GRANTED ARGENTINA AND URUGUAY. AS IN THESE TWO OTHER CASES, THE COMMUNITY HAS INDICATED WILLINGNESS TO CONSIDER A THREE- YEAR, RENEWABLE NON-PREFERENTIAL AGREEMENT. IT IS ALSO PREPARED TO EXTEND TO BRAZIL THE CONCESSIONS ON BEEF AND VEAL GRANTED TO ARGENTIAN AND URUGUAY. THESE INCLUDE (A) ADVANCE LIMITED OFFICIAL USE

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FIXING OF THE LEVY ON BRAZILIAN CHILLED BEEF EXPORTS TO THE COMMUNITY AND (B) A GUARANTEED MINIMUM SUSPENSION OF THE EC LEVY FOR FROZEN MEAT INTENDED FOR PROCESSING. (NOTE: BOTH OF THESE CONCESSIONS ARE PRESENTLY MEANINGLESS SINCE ALL LEVIES ON EC BEEF IMPORTS ARE SUSPENDED.) THE EC IS FURTHER OFFERING TO CALCULATE BRAZILIAN EXPORTS UNDER THE EC' S GATT CONSOLIDATE TARIFF QUOTA ON

FROZEN BEEF WITHOUT CONSIDERATION OF BONE WEIGHT --
THUS EFFECTIVELY INCREASING THE SIZE OF THAT QUOTA. THE
QUID PRO QUO DEMANDED BY THE COMMUNITY FOR SUCH CON-
CESSIONS REMAINS, AS IN THE PAST, BRAZIL' S WILLINGNESS
TO UNDERTAKE CERTAIN ORDERLY MARKETING MEASURES
INCLUDING THE REGULARIZATION OF MEAT CONSIGNMENTS AND
THE EXCHANGE OF INFORMATION ON THESE CONSIGNMENTS IN
ORDER TO AVOID DISTURBING THE EC MARKET.

3. THE EC HAS SO FAR REMAINED NON- COMMITTAL WITH REGARD
TO OTHER PRODUCTS WHICH THE BRAZILIAND HAVE INDICATED
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PASS AGRICULTURE

4. ON COCOA BUTTER AND INSTANT COFFEE, THE BRAZILIANS ARE PARTICULARLY INTERESTED IN MAINTAINING ACCESS TO THEIR VERY IMPORTANT UK MARKET. UNLESS SOME ACTION IS TAKEN BY THE COMMUNITY BEFORE YEAR END, THE BRAZILIAN POSITION WILL GRADUALLY DETERIORATE AS THE UK MOVES TO ALIGN ITSELF WITH THE HIGHER PROTECTION PROVIDED LIMITED OFFICIAL USE
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BY THE COMMUNITY'S CXT. THE COMMUNITY HAS GIVEN SOME INDICATION IT MIGHT CONSIDER A PARTIAL AND TEMPORARY SUSPENSION OF CUSTOMS DUTIES ON THESE PRODUCTS PENDING THE OUTCOME OF GATT NEGOTIATIONS. THE BRAZILIANS HAVE APPARENTLY SUGGESTED THAT THE COMMUNITY CONSIDER LOWERING THE DUTY ON THESE TWO PRODUCTS TO CXT DUTY RATE FOR RAW COFFEE AND COCOA (U AND 4 PERCENT RESEPECTIVELY). ANOTHER SOLUTION PUT FORWARD BY THE BRAZILIANS WAS THE CREATION OF A TARIFF- FREE QUOTA FOR BRAZIL IN THE UK MARKET. (THE COMMISSION RESPONSE TO THE LATTER SUGGESTION WAS NEGATIVE ON THE GROUNDS THAT A QUOTA FOR AN INDIVIDUAL MEMBER STATE IS CONTRARY TO COMMUNITY POLICY.)

5. ANOTHER PROBLEM BETWEEN THE EC AND BRAZIL WHICH HAS PROVED DIFFICULT TO HANDLE RELATES TO BRAZILIAN MARITIME POLICY. SOME MEMBER STATES HAVE SOUGHT TO USE THE NEGOTIATIONS AS A FORUM FOR OBTAINING CHANGES IN BRAZILIAN MARITIME POLICY WHICH THEY CONSIDER TO BE DISCRIMINATORY. OTHER MEMBER STATES HAVE TAKEN THE POSITION THAT MARITIME POLICY DOES NOT FALL WITHIN THE PURVIEW OF THE COMMUNITY AND THEREFORE IS NOT A PROPER SUBJECT FOR THESE NEGOTIATIONS. IN FACT, WE ARE TOLD THAT THE COMMISSION'S NEGOTIATING INSTRUCTIONS DO NOT REFERE TO THIS SUBJECT. NEVERTHELESS, IT APPEARS THAT AN ATTEMPT WILL BE MADE TO DEAL WITH TE PROBLEM BY MEANS OF AN EXHCNAGE OF LETTERS AT THE MOMENT THE AGREEMENT ITSELF IS SIGNED. THIS PROCEDURE WAS USED IN THE URUGUAYAN CASE. THE BRAZILIANS, HAVING LEARNED QUICKLY FROM THE EC'S DEFENSE OF THE CAP, HAVE STATED THAT THEIR MARITIME POLICY, AS SUCH IS NOT SUBJECT TO DISCUSSION. BRAZIL IS PREPARED, HOWEVER, TO DISCUSS AND CONSIDER SPECIFIC COMPLAINTS OF EC SHIPPING FIRMS RESULTING FROM THAT POLICY.

6. WITH THE FIRST STAGE OF THE NEGOTIATIONS NOW COMPLETE, THE COMMISSION WILL, IN ACCORDANCE WITH THE TERMS OF THE YAOUNDE AND ARUSHA CONVENTIONS, CONSULT WITH THE COMMUNITY'S AFRICAN ASSOCIATES ON THOSE CONCESSIONS SOUGHT BY BRAZIL WHICH COULD AFFECT THE INTERESTS OF THE AFRICANS (PRIMARILY COFFEE AND COCOA). FOLLOWING THE CONSULTATIONS WITH THE AFRICANS, THE EC COMMISSION LIMITED OFFICIAL USE

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WILL PREPARE AN INTERIM REPORT FOR THE EC COUNCIL. IT IS EXPECTED THAT ON THE BASIS OF THIS REPORT THE COUNCIL WILL ISSUE MORE SPECIFIC INSTRUCTIONS FOR THE NEXT PHASE OF THE EC BRAZIL NEGOTIATIONS WHICH MIGHT BEGIN IN JULY.

7. COMMENT: THE ECC COMMISSION IS WELL AWARE OF OUR LONGSTANDING OBJECTION TO CERTAIN ASPECTS OF THE LEVY SUSPENSION ARRANGEMENTS IN THE ARGENTINE AND URUGUAY AGREEMENTS. WE HAVE OBJECTED ON THE GROUNDS THAT SUCH CONCESSION ARE NOT AUTOMATICALLY EXTENDED ON AN MFN BASIS BUT MADE DEPENDENT ON THE RECIPROCITY MEETING CERTAIN CONDITIONS RELATED TO ORDERLY MARKETING ARRANGEMENTS. (REFTEL) WE HAVE ALSO REMINDED THE BRAZILIANS OF OUR RESERVATIONS ON THIS SCORE. GREENWALD

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